

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Rod Pacheco Analyst: Roger Lackey Bill Number: AB 238

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 04-05-2001

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Net Operating Loss Sustained By Farmers From Pest Infestation/Allows Deduction Carryover Until Loss is Used

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 13, 2001.

☒ FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 13, 2001, STILL APPLIES.

OTHER - See comments below.

## SUMMARY

This bill would allow special net operating loss (NOL) treatment for losses sustained by farmers as a result of pest infestations.

## SUMMARY OF AMENDMENTS

The April 5, 2001, amendment specified that a taxpayer may claim the NOL for the farm loss only if the Department of Food and Agriculture determines that the taxpayer's farm NOL was due to pest infestation. The amendment also gave the Department of Food and Agriculture the authority to prescribe regulations to make the necessary determinations.

The April 5, 2001, amendment resolved the implementation consideration regarding how to determine an NOL is due to pest infestation. The amendments do not resolve the policy concern regarding the credit carryover period that was discussed in the analysis as introduced February 13, 2001. This item has been included below for the author's convenience.

The March 19, 2001, amendment deleted the provisions that would have reduced the carryover percentage of general NOLs to 50% and reduced the carryover period to five years.

Board Position:

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<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

04/24/01

The revenue estimate included in the department's analysis of the bill as introduced February 13, 2001, still applies. The revenue estimate did not include any of the changes to the general NOL statute since those changes were unintended by the author.

Except for the discussion above, the department's analysis of the bill as introduced February 13, 2001, still applies.

### **ARGUMENTS/POLICY CONCERNS**

Other taxpayers eligible for special NOL treatment are allowed a carryforward period of six, seven, eight, or 15 years. This bill could create a precedent by allowing NOLs to be carried forward until completely used.

### **LEGISLATIVE STAFF CONTACT**

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